SALES & MARKETING
MANAGEMENT

MARCH 1992
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BRIDGING THE GAP BETWEEN MARKETING AND SALES

STRATEGIES
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When to Hit The Brakes

MARKETING
... Matter Of Time

MARKET STUDY
... And Not So
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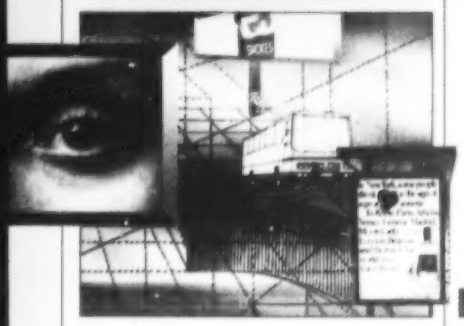
SALES & MARKETING MANAGEMENT



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COMPUTERS

BY THAYER C. TAYLOR, SENIOR EDITOR

THE SIMPLE ABCs OF SFA: THE CUSTOMER COMES FIRST

As marketers move their sales forces into the electronic age, their chances of success are often enhanced when they heed the basic principle of marketing: The customer's needs—the sales rep's, in other words—must always come first.

Regardless of lofty sales force automation (SFA) goals—things like greater productivity, lusher profits, better customer service—the best-laid plans will founder unless salespeople are conditioned to view SFA as a tool that can make their job easier.

That was the common theme driven home by the speakers participating in the SFA track at *S&MM*'s Power Selling '91 Conference and Expo, held last September at Chicago's Hyatt Regency hotel.

"Too often, systems are designed to keep track of salespeople's activities," warned Bill Joyce, president of Sales & Marketing Technologies, Long Beach, N.Y. "Salespeople, who are professionals at *not* doing things they *don't* want to do, will greet such systems with passive resistance. Let them know throughout the planning process that the system is being designed to help them."

The problem is, although selling is largely an extrovert activity, SFA infers a strong dose of introspection, especially regarding the steps in the selling process. To Todd Scofield, vice president of Hugh Carver Group, Monmouth Junction, N.J., SFA is a "process of understanding your business environment and individual work practices—the internal and external relationships salespeople have with customers. You look at those practices, then match them to the technology that makes them more effective."

"SFA begins in the mind, not on the computer screen," said Michael Brown, president of Redwood Training Assoc., Redwood City, Cal., "so you must think strategically before automating tactically." Brown recommended a work-flow analysis as a first step. "Each step in the selling process, from concept to repeat sales, is audited, including sales policies and procedures, as is the rationale behind them," he said. "Each step should be labeled as 'important' (of vital concern), 'urgent' (an activity with time value), or 'routine.' This will show where your duplications and omissions are, and the opportunities for streamlining the selling process. If you don't fix your selling problems before automation, SFA will just make you lose money faster."

"Do your homework first and find out what the key decisions are," echoed Barton Goldenberg, president of Information Systems Marketing, Washington, D.C., citing the results of interviews with some 1,800 sales and marketing executives over the past two years. "As you complete your audit, you'll have a better idea of your key business decisions and the technical features desired by users. You then match requirements against both today's generation of sales and marketing software and the evolving generation."

Goldenberg noted that the SFA graveyard is littered with companies "that failed to do their homework or didn't understand that sales and marketing personnel know what they want and don't need others telling them what they need."

What kind of SFA costs can marketers expect? Based on his experience with clients such as Kraft, General Foods, Johnson & Johnson, and Duracell, Scofield estimated that implementation costs will range from $7,000-$15,000 per rep, including hardware, software, training, and support, as well as integrating SFA with a company's present information system. "With one exception," he added, "payback has averaged more than twelve months." Goldenberg noted that "our latest survey indicates that for every dollar spent on software, two dollars are spent on training."

Despite the fact that payback may be a long-term affair, it can be impressive. Scofield cited one client, a major consumer goods manufacturer selling to the military, that scored a 400% increase in rep selling time, a 10% ($30 million) increase in sales, and a 15% increase in profits. The company achieved this with a PC-based order application that, by tracking the last 12 order cycles, enabled the rep to generate an "ideal" order. Furthermore, using inventory information stored in a laptop, the rep could show the government buyer when stocks were running out, an important factor for seasonal products, as well as target promotions to specific locations.

A second client, a major computer maker with a long sales cycle, achieved a 33% increase in customer contact

VICTOR JUHASZ

time, a 5% boost in sales, and a 33% run-up in profits. Here, a PC-based cost-justification program showed the customer exactly how quickly he would recover his capital investment, an on-site quotation system shortened the sales cycle, and dial-up access to a technical database enabled the company's sales rep to answer customer inquiries promptly.

Through effective use of SFA, a major food manufacturer that sells to hotels and restaurants racked up a 25% increase in end-user contacts and a 10% increase in sales. Because it sold through distributors, the company lacked information on end-user purchases. The marketer got around this shortfall by setting up a telemarketing program that built a database of end-user buying patterns and installed E-mail in order to route the information to the laptop-equipped sales force. Sales reps then used the information to formulate specific selling programs for major accounts as well as to prepare customized laptop-based presentations. An unexpected payout: E-mail slashed the company's communication costs per rep per day—from $15-$20 to 64¢!

SMA SOFTWARE VENDOR SURVEY: A MARKET ON THE BRINK OF BOOMING

Although major companies are beginning to enter the sales and marketing automation (SMA) software market—such as Apple Computer promoting sales automation packages for its new Macintosh notebook laptops, and Dun & Bradstreet Software (a D&B subsidiary) buying Snap Software—a recent *S&MM* survey of 30 SMA software vendors reveals that the market is still primarily supported by small companies.

On the other hand, profit margins reported by these SMA vendors are two to three times that of the PC software industry as a whole, according to figures garnered from an annual operating expense survey of software firms that was conducted by *Software Success*, a PC industry newsletter. Their survey reveals a 1990 pre-tax profit margin of 11% for the software industry in general. Also, despite an average revenue figure of $3.6 million, four out of five vendors say they finished in the black in 1990, and their predictions for growth over the next five years show a market poised on the brink of rapid expansion.

PROFITS/ REVENUES	MEDIAN	AVERAGE
1990 Profit margin	21%	34%
1990 Revenues	$1.2 Mil.	$3.6 Mil.
1995 Revenues	$10.0 Mil.	$22.6 Mil.

Other survey results reveal that the bulk of SMA software vendors are heavily dependent upon value-added resellers (VARs) for distribution of their products, particularly since they tend to sell to specialized niche markets, an area where SMA is increasingly important.

DISTRIBUTION CHANNEL	PERCENTAGE
VAR (value-added reseller)	57%
Software-only retailers	27
Distributors	23
Computer retailers	20
Direct mail	17
Catalogs	17
Office products dealers	7
Consultants	7
Electronics stores	3
Mass merchandisers	3
A/V dealers	0

To get the most from small advertising budgets, sales and marketing automation software vendors rely heavily on business-to-business media. Fewer than one out of four say they've used co-op advertising; 71% reported it to be ineffective.

ADVERTISING MEDIA	PERCENTAGE
Sales/marketing publications	77%
Computer press	69
General business publications	54
Newspapers	8
Radio	4
TV	0
None	5

Vendors call on a broad range of prospect titles. Owners tend to rank high because in most small companies they handle the sales/marketing function.

WHO VENDORS CALL ON	PERCENTAGE
Vice president, sales/marketing	90%
Owner	62
National sales manager	55
Executive vice president	48
Branch office sales manager	41
Regional sales manager	41
MIS dept.	35
Sales reps	28
Vice president, finance	21
Telemarketing dept.	7
R&D dept.	7
Vice president, engineering	7
Customer service dept.	3
Sales administrator/assistant	3
Operations/office manager	3

More than one-third of the vendors hope to exploit emerging technologies—such as pen-based and hand-held PCs as well as Microsoft's Windows graphic user interface—in order to broaden the appeal of their packages to potential buyers.

PLATFORM	YES	NO	UNDECIDED
Laptops	82%	18%	0%
Hand-held PCs	36	60	4
Pen-based PCs	36	43	21
Windows	35	59	6

SOURCE: *S&MM*

APPLE HOPS ON SFA BANDWAGON

Hoping to perk up sales of its new PowerBook notebook laptops, Apple Computer has trotted out a bevy of Macintosh versions of third-party SFA packages that have been running on IBM-compatible PCs for some time now.

While Apple may be something of a Johnny-come-lately, its move will probably be followed by other blue-chip computer firms. Until now, Digital Equipment Corp. (DEC) and GE Information Services have been the only major computer firms with SFA software.

DEC's Sales Information System and GE Information Services' Sales and Marketing Communication System were among the Apple recruits. Others are Contact Software International's ACT! and Endpoint Marketing Information Systems' ENDPOINT!, as well as system integrators Electronic Data Systems and Andersen Consulting.

PC RECESSION DOESN'T BLIGHT SOFTWARE SALES

Although personal computer hardware firms struggled with tepid demand throughout 1991, software vendors wracked up record sales—$1.44 billion—in last year's third quarter, topping the previous year by 22%. The two biggest contributors, according to the Software Publishers Assn., were spreadsheet applications—the perennial favorite—which led the pack with a 59% gain, followed by databases, up 28%.

Despite strenuous efforts by IBM and Apple to make multimedia applications today's hot trend, graphics packages scored a below average 13% uptick. Sales of yesterday's popular application, desktop publishing, did even worse, plummeting 26%.